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HEADLINE: Federated Posts Profit Rise, Will Change Name to Macy's

BYLINE: By James Covert

BODY:

Federated Department Stores Inc. posted a 4.9% rise in fiscal-fourth-quarter profit and said it will change its name to Macy's Group Inc.

The parent of the Macy's and Bloomingdale's chains, which is transforming Macy's into a national brand, also said it will increase its share-buyback program by \$4 billion. But the company expects profit for the fiscal year just begun to miss Wall Street forecasts.

The Cincinnati retailer, which acquired rival May Department Stores Co. in August 2005 for \$11.5 billion, converted more than 400 former May stores to Macy's stores in September. Former May stores that had carried regional names such as Marshall Field's, Filene's and Foley's missed expectations during the holidays, and Federated said their integration is taking longer than expected.

A problem has been weaning former May customers off coupons as Macy's moves to a nationwide promotion strategy. Also, the converted Macy's stores continue to lose customers to lower-price rivals J.C. Penney Co. and Kohl's Corp., said Craig Johnson, president of Customer Growth Partners, a New Caanan, Conn., consultant.

Chief Executive Terry Lundgren said the company is trying to be "realistic" in its outlook for the current year.

Federated said it expects same-store sales, or sales at stores open at least a year, to increase 2.5% to 3.5% in the fiscal first quarter, 1.5% to 2.5% in the second quarter and 2% to 3.5% in the third and fourth quarters combined.

Vanessa O'Connell contributed to this report.

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